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IMPORTANT CHANGE TO RETIREMENT LAW

INCLUDING PROVISION FOR FORMER SPOUSE ANNUITY

This notice is to inform you of changes in the law concerning retirees. The "Omnibus Budget Reconciliation Act of 1982" is effective 1 October 1982 and applies to both the CIARDS and CSRS systems. The Act includes the following changes that will effect annuitants:

Cost-of-Living Adjustments

During 1983, 1984 and 1985 the effective date of the cost-of-living adjustments has been changed from the current March 1 of each year to April 1, 1983, May 1, 1984 and June 1, 1985. These increases will be reflected in the annuity checks issued on 1 May 1983, 1 June 1984 and 1 July 1985. The COLA continues to be based on the December to December increase in the consumer price index. In 1986 the current March 1 effective date will once again apply. In addition, certain annuitants will receive less than the full cost-of-living adjustments in these three fiscal years. Annuitants who are under age 62 as of March 1 in each year and who are not disability annuitants or survivor annuitants will receive the following cost-of-living adjustments in 1983, 1984, and 1985:

April 1983 - 3.3 percent, plus any amount by which the actual CPI increase exceeds 6.6 percent

May 1984 - 3.6 percent, plus any amount by which the actual CPI increase exceeds 7.2 percent

June 1985 - 3.3 percent, plus any amount by which the actual CPI increase exceeds 6.6 percent.

If the actual cost-of-living increase granted is less than or equal to the projected adjustments for the next three years, under age 62 annuitants will receive one-half of the projected adjustment.

Disability Retirement

The test period concerning "Restored to Earning Capacity" for disability retirees has been reduced from two years to one year and the grace period to receive continued payments shortened to six months. These provisions apply to earnings after 31 December 1982. In addition, the bill allows the Retirement Systems to verify records of the Social Security Administration and the Department of Labor.

Rounding Down of Retirement Annuities

Retirement annuities will be rounded down to the next lowest dollar, both when they are computed and when they are adjusted by the rise in the cost-of-living.

Credit for Military Service

Under previous law, military service could be credited toward a civil service annuity, but the annuity was recomputed at age 62 to exclude credit for any post-1956 military service if the individual was eligible for Social Security benefits.

The new law provides that annuities for these individuals would be reduced at age 62 by an amount equal to a fraction of their Social Security benefit computed by dividing their total military wages that were subject to Social Security deductions by their total lifetime wages that were subject to Social Security deductions. Thus, individuals having Social Security covered employment only in the military would have their civil service annuity reduced at age 62 by the full amount of the Social Security benefit they were eligible to begin receiving at age 62. However, the reduction so computed will not be permitted to be greater than the reduction required by previous law. This new formula applies to all annuity payments after October 1, 1982, including annuity payments to those who have previously reached age 62 and thus already had their annuities recomputed.

All annuitants who are affected by this provision will receive a separate notice concerning their status.

Limit on Annuities

Cost-of-living adjustments will not be made to annuities if such adjustments cause the annuities to exceed the rate of pay for a GS-15, Step 10 (now $57,500) unless the annuitants final pay (or average pay, if higher), when increased by the cumulative average General Schedule pay increase since the annuitant's retirement, is higher than that rate, in which case cost-of-living adjustments could be given up to such higher amount. This provision applies to all cost-of-living adjustments after 8 September 1982, but no annuity will be reduced.

New Legislation Effecting Former Spouses

Under Title VI, Retirement Benefits for Certain Former Spouses of Central Intelligence Agency Employees, of Public Law 97-269 the former spouse annuity provisions become effective on 15 November 1982. As defined by the Act, "former spouse" means a former wife or husband of a participant or former participant who was married to such participant for not less than 10 years during periods of service by that participant which are creditable under the Act, at least five years of which were spent outside the United States by both the participant and the former spouse.

The Act allows qualified spouses of employees who are separated from service with the Agency after 15 November 1982 and who were divorced from the participant on or after 15 November 1982 to share in the retirement annuity, survivor benefits and lump sum disbursements paid from retirement funds. The legislation does not affect those individuals who were divorced prior to the effective date of the Act. Retirees who are divorced on or after 15 November 1982 will be affected insofar as the provision of a survivor annuity for a former spouse is concerned.

The maximum survivor annuity that may be provided for that former spouse is limited to the amount provided for that person at the time of retirement. This limited application means that unless otherwise expressly provided by any spousal agreement or court order, the former spouse shall be entitled to a survivor annuity...

A. if married to the participant (retiree) throughout the creditable service of the participant, equal to 55 percent of the elected amount of the participant's annuity, or

B. if not married to the participant (retiree) throughout such creditable service, equal to a proportion of 55 percent of the elected amount of such annuity which is the proportion that the number of days of the marriage bears to the total number of days of such creditable service.

The former spouse shall not be qualified for any annuity if the former spouse remarries before becoming 60 years of age.

It should be noted that the new provisions of law summarized above are stated in general terms and in a simplified manner. This notice is not a comprehensive statement. Any questions concerning this notice should be directed to the address on this letterhead.

CHIEF, RETIREMENT AFFAIRS DIVISION

NOTICE: FORMER SPOUSE ANNUITY PROVISIONS

The purpose of this notice is to bring to your attention the provision of the retirement program that establishes procedures where certain former spouses of employees may be entitled to retirement benefits.

Employees in both the CIARDS and Civil Service Retirement and Disability System will be covered provided:

a. The employee was divorced on or after 15 November 1982.

b. The employee was married to the former spouse for 10 years during the period of creditable service.

c. The former spouse served overseas with the employee for five years.

This provision will apply to these employees even if they leave the Agency and subsequently retire from another Government agency. Briefly, participants are required under the former spouse legislation to accept necessary reductions in their own retirement benefits to meet the following obligations:

a. A pension to a former spouse.

b. A court ordered apportionment of annuity to a former spouse.

c. A regular survivor annuity to a former spouse who has not remarried prior to age 60.

d. A proration with a former spouse of any lump-sum payment of retirement funds upon separation.

Further, a participant may make an election under the following options:

a. A participant who, on 15 November 1982, has a former spouse may, by spousal agreement, elect to receive a reduced annuity and provide a survivor annuity for such former spouse.

b. A participant who is divorced on or after 15 November 1982 may elect voluntarily to purchase an additional survivor annuity for a former or current spouse. This allotment is paid totally by the participant--there is no Government contribution--and is based on actuarial equivalent in value as calculated on tables of mortality as provided by the U.S. Government.

Any questions regarding this matter should be referred to the Retirement Affairs Division, Office of Personnel, extension

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